

U.S.-KOREA TRADE AGREEMENT

North Carolina Farmers Will Benefit

December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports to Korea and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of North Carolina agricultural products, including poultry and pork. North Carolina's agricultural exports to all countries, estimated at \$2.9 billion in 2009, supported about 23,200 jobs, on and off the farm. These export sales make an important contribution to the North Carolina farm economy, which had total cash receipts of \$9.2 billion in 2009.

Poultry Products. Broilers are the state's leading agricultural industry with farm cash receipts totaling \$2.4 billion in 2009, or 26 percent of the state's total. Turkey production accounted for another 6 percent of the total with cash receipts of \$523 million. The nation's third largest poultry exporter, North Carolina's poultry and product exports were estimated at \$478 million in 2009. Among the KORUS agreement's benefits to North Carolina's poultry producers and processors:

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7-12 years.
- As the number 2 market for U.S. egg products, Korea's tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

Hogs and Pork. Hog industry cash receipts were \$1.9 billion in 2009, or 20 percent of the state's agricultural total. North Carolina is the nation's fifth largest exporter of live animals and meats with shipments estimated at \$537 million in 2009. Under the KORUS agreement:

- Korea's tariffs on imports of more than 90 percent of U.S. pork products will become duty free on January 1, 2016 or sooner. This includes all frozen and processed pork products.
- Date-certain duty-free access will enhance the competitiveness of U.S. pork compared to product from the European Union and Canada.

Soybeans and Products. Farm cash receipts from soybeans totaled \$557 million in 2009. The KORUS agreement will provide many benefits to the soybean industry.

- The greatest potential benefit for the soybean sector is likely to come from improved access to Korea's 300,000-metric ton market for food-quality soybeans. Korea has agreed to immediately eliminate its 5-percent applied tariff on food-use soybeans. In addition, Korea will establish a duty-free tariff-rate quota starting at 10,000 metric tons for identity-preserved soybeans for food use. This quota will operate outside the current state trading entity, which has charged a reported \$250 per ton markup on soybean imports supplied to soybean curd processors.

- Soybeans imports for crushing will enter duty-free upon implementation of the agreement, removing the 1-percent applied tariff.
- Korean tariffs on imports of crude soybean oil, the majority of Korea's soybean oil imports, will decline from the current 5.4-percent tariff over 10 years. Refined oil tariff rates will decline from the current 5.4 percent in five equal annual reductions. Korea's 3-percent tariff on soybean flour and meal will immediately go to zero.

Cotton. North Carolina's cotton growers had cash receipts totaling \$213 million in 2009. Under the KORUS Agreement:

- The agreement will lock in the duty-free access being enjoyed by U.S. cotton exporters. This permanent access will allow U.S. cotton exports to continue to compete on a level playing field with Korea's other trading partners.

Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)		
Product	U.S. to World	North Carolina to World
Poultry Products	\$4,850,000,000	\$478,000,000
Hogs and Pork	\$2,204,000,000	\$537,000,000
Soybeans and Products	\$17,709,000,000	\$314,000,000
Cotton	\$3,628,000,000	\$228,000,000
Agricultural Total	\$96,632,000,000	\$2,879,000,000

Compiled by ERS using data from Census Bureau, Commerce and NASS.

Note: All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or LPA@fas.usda.gov.